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Best's Insurance News

(Life Edition)

A Journal Devoted to the Protection of Insurance Buyers

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ALFRED M. BEST COMPANY
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75 FULTON STREET NEW YORK

EDITORIAL SECTION

THE LIFE INSURANCE SALESMAN AND HIS NEEDS.

The all-'round life insurance salesman has always been considered the highest type of his profession — *salesmanship*. His business formerly required him to go out into the highways and byways and create a demand for his line (life insurance) and then supply it. Happily the evolution of the business has materially lessened the necessity for this particular mode of procedure, but the fact still remains that the successful life insurance salesman must possess a very high order of ability, and he stands in a class by himself as a salesman.

The business has developed many remarkably successful insurance solicitors, who, while they did not have all of the desirable qualifications, achieved fine results because they possessed unusual talents along certain lines.

The life insurance business, however, is one of averages and the agent must be considered in the average sense subject to the exceptions which obtain to all rules.

There is no business that requires such wide knowledge of human nature as life insurance. To foretell the best angle of approach is impossible; therefore, too specific instructions that any particular line of procedure must be implicitly followed is unwise. The individual characteristics of persons differing as they do, no two persons being alike, the argument which will appeal to any particular person may not definitely be stated.

In order to succeed the solicitor must believe thoroughly in the dignity and value of life insurance, and understand fully its adaptability to provide for the

(Continued on next page)

needs of all sorts and conditions of men; and he should have, too, a knowledge of the uses to which it can be put to meet business conditions.

Family Insurance.

Life insurance to provide for the family needs has long been appreciated but it has never been utilized to capacity limits. The " mortgage insurance " to save the home and the " educational policy " for the child are features of " family insurance " too lightly passed over. If the insuring public would seriously seek to preserve the home and protect the orphan from a lack of education, the danger from radical theories and agitation would be materially lessened. The possession of even a little property will make its owner look askance at Bolshevism and its wild theories.

Only comparatively recently, however, has life insurance been wisely considered as one of the best means for.

Enhancement of Mercantile Credit.

whereby members of firms are insured for the benefit of the firm and in the case of corporations, responsible officers or heads of departments, insured for the benefit of the corporation in order to reduce the " replacement cost," a most significant overhead expense that should be considered by all firms and by all corporations, *or for*

Group Insurance.

which is rapidly becoming a most important factor in stabilizing business conditions. This form of insurance, after careful investigation, has been adopted by some of the most astute minds in the business world, not only those engaged in the large industrial enterprises but also those in the large insurance offices, trust companies, banks and kindred institutions. The individual clerk resents being known merely by a number as does also the worker in the industrial plant, no matter how humble he may be. Group insurance, if properly applied, enhances the individualization of the men and women it serves, a very important fact and always to be considered. Even in slavery times the master, no matter how cruel, knew the names of his slaves! The evolution of civilization, especially in industrial centers, has tended to substitute a number for a name, the bad effects of which are now being considered and by very wise heads. The benefit of group insurance to the corporation is in the replacement or turn-over cost. When the duly authorized committees of employees and the designated officer or officers of the employer begin to work *harmoniously* in developing the *group insurance spirit*, other business adjustments are bound to come.

Another important use for life insurance is in connection with the

Adjustment of Taxes.

Not many years ago the chief references to taxes by life insurance men was the argument that it was unsound economics to tax insurance funds, premium payments, etc. Without going into the merits of such arguments, which are still pertinent, we may state with assurance that in very recent years taxation (*not taxation on premiums or life insurance funds*) has done much to increase the volume of the insurance written.

The " Tax Service " rendered by a New York City institution devoted to such work, not only supplies financial corporations, lawyers and men of large affairs with a method of quickly obtaining accurate tax information required almost daily in connection with many business transactions but demonstrates in a most positive manner the availability of life insurance for solving many difficult tax problems. The complicated taxes imposed by village, town, city, county, state and national government, enter into many business transactions the basis of settlement of which often means success or failure. The ramifications of the tax question have practically no limits. To meet the effect of the same on estates or business, there is no method at present known that equals the life insurance contract definitely arranged for that particular purpose.

Universities have special courses on taxation and the subject is becoming more and more important as a branch to be specifically considered. Exact knowledge on taxation is becoming general among those directing large enterprises. Formerly the inheritance tax was not considered by anyone except members of the legal fraternity who had to do with the settlement of rather large estates. Now the effect of an inheritance tax is very carefully weighed by investment institutions and by many people, even of moderate wealth. The effect of the inheritance tax on even very small estates is often a serious matter; therefore, it is a subject of interest to the masses as well as to the rich or relatively few.

Life Insurance for Bequests.

This field for life insurance was admirably explained by Mr. Edward A. Woods in a forcible address delivered by him at the recent Convention of the National Association of Life Underwriters, in Boston.

Too little attention has been paid to this branch of the business. Many people of moderate means often desire to make small bequests. Life insurance

enables one to do this and it is sound economics to utilize it for such a purpose.

Many other illustrations might be given, but those set forth above are sufficient to emphasize the fact that it is difficult if not impossible for any solicitor of life insurance thoroughly to master all of the complicated points that enter into the sub-divisions of the business herein referred to.

This does not mean that the insurance salesman should not be trained in the fundamentals. He must be completely trained and very carefully schooled as to where to look for the information that he wants. He must have access to some good life insurance library. The library must be fully equipped, and the librarian must possess a knowledge of life insurance and the many subjects (which are limitless) collateral thereto.

The agent must not seek to commit to memory any set of rules and, parrot-like, repeat them when they seem appropriate; but must be well posted and know where to look for the specific information he must have under present-day conditions.

The man of large business affairs who is informed concerning the tax question, for instance, should not be urged to take out tax insurance by an agent who does not have access to a library having that particular data.

These are days of specialization and life insurance is no exception; therefore, the agent should become a specialist and be the master of some branch of the business.

A GRATIFYING RECOGNITION OF GOOD SERVICE.

For over twenty years it has been the fixed policy of our organization to spare no effort or expense in securing information desired by subscribers. Even where inquiries are far beyond the scope of our subscription contract, we endeavor to answer them promptly, completely and accurately.

A letter such as the one printed below is a most gratifying evidence of friendship and appreciation and a refutation of the argument of a certain type of business men who believe in giving as little as their customers will accept for the largest price possible to obtain instead of following the exactly opposite general policy.

The following letter was written to us by an officer of one of our best life insurance companies in connection with an inquiry which necessitated our going back through our old records as far as the late 70's:

> "Your prompt favor of the 15th in response to my letter of the 14th received and I thank you very much for the information contained.
>
> "I feel a natural hesitancy in bothering you so much on these subjects, but your company is the only one to whom we can turn for authentic reports. It is wonderful to have such a source of information at your disposal."

Such recognition of an honest and friendly desire to be of service is ample repayment for the effort which we make.

COMMENTS ON OUR SERVICE.

From Philip Burnet, President, Continental Life Insurance Company, Wilmington, Delaware, October 14, 1920:

> "It would be difficult to overestimate the value to the insuring public and to the insurance world of the service which you are rendering. Your volume of Annual Reports is the only place where the essential information regarding the different life insurance companies is brought together in a form convenient for use in the field. This annual volume of Reports, supplemented by the Policy Analyses and Dividend Illustrations, the Life Insurance News, published monthly, the miscellaneous information cencerning life insurance matters which you furnish on request, and your special confidential reports on life insurance companies, associations and societies, which can be had for the asking, furnish an equipment which is indispensable to the life insurance man who wishes to render the best possible service to his patrons."

From A. E. Bruce, Assistant General Agent, Pacific Mutual Life Insurance Company of California, at Albuquerque, N. M., September 16, 1920:

> "I thank you for your very kind letter of September 13th in response to my letter of the 8th, making an inquiry regarding * * *
>
> "The information with which you have furnished me seems to be very complete indeed, and I beg to assure you of my appreciation of the service which you have rendered us in this case, as well as the splendid service which you have given us in the past."

Supplemental comment, dated September 25, 1920 (from Mr. Bruce), on the same subject:

> "I appreciate very much your letter of the 21st, enclosing further information regarding the recent change of rates of the * * *
>
> "Truly, yours is the 'Best' service in more than one sense of the word."

SEMI-ANNUAL MEETING OF ACTUARIAL SOCIETY, RICHMOND, VIRGINIA.

The fall meeting of the Actuarial Society of America was held October 28th and 29th in Richmond, Virginia, the Jefferson Hotel being the headquarters. The meeting was held in Richmond at the invitation of the Life Insurance Company of Virginia.

The meeting was a large one, the number of fellows and associates in attendance being about 100.

The farthest points represented were Dallas, Texas, and Winnipeg, Manitoba.

Address of the President, William A. Hutcheson.

The main part of the address was taken up with the topic, "Evolution of Life Insurance." This called attention to many interesting things. For instance, the fact that in the Roman Empire there were societies which had among other features financial provison for burial of their members, thus being on the road toward burial insurance. Among the first reliable records were the bills of mortality published in England from 1538 to 1836. These bills were evaded in London until the visitation of the plague in 1562 emphasized their importance. Some of the causes of death listed in these bills of mortality are astounding to the physician of to-day, as well as to the layman. The following are among the causes given, "Blasted and Planet," "Headmouldshot," "Horseshoehead" and "Rising of the Lights."

The importance of smallpox one and one-half centuries ago is shown by the fact that then only those who had had smallpox were admitted at ordinary rates. The well-known mathematician, Dr. Price, compiler of the Northampton table, was an upholder of personal liberty, and at the time of the beginning of the Revolution upheld the cause of the Colonies. In 1778 the Congress of the United States invited Dr. Price to become a citizen of the United States and requested his assistance in regulating their finances.

The above are a few of the interesting sidelights brought out in the orderly historical development. Besides their human interest they assist in connecting up the history of life insurance with contemporary history, both explaining in their proper relation to other events the historical facts of life insurance.

Abstracts of the papers presented at the meeting:

"Some Influences Affecting the Interest Rate." By Wendell M. Strong.

This paper deals with the influences that have caused the increased rate in the past and also discusses the tendencies that such influences are likely to lead to in the future. For the period from 1900 to the beginning of the war a rising interest rate was experienced starting from scarcely above 3 per cent. in 1900. The reason for this was the same as the reason for increasing prices—the over-production of gold. The production in 1896 was about $200,000,000 a year, which increased steadily until in 1912 it was over $450,000,000, from which time to the end of the war it did not change very greatly. After the beginning of the war the inflation caused by increased imports of gold, issues of Federal Reserve notes and great volume of loans proceeded at a rapid pace with prices climbing and resultant high interest rates, and in this was aided by the destruction caused by the war and the manner in which taxes were levied.

The opinion is expressed that the peak of inflation and the peak of interest rates were both reached some time in the spring or summer of 1920 and that both would see a decline. Attention is called, however, to the fact that while deflation should cause a decline in interest rates the other factors mentioned, namely, destruction which had to be made up, and taxation would still have their influences tending towards a high rate so that it seemed improbable that the decline would be very severe or very large. Among the questions as to the bearing on the interest rate of the future was whether we would get back soon as good habits of saving and thrift as before the war to furnish the needed capital for investment.

"Is the 'Average' the Same as the 'Normal' for Weight and Blood Pressure?" By Arthur Hunter.

This paper is really concerned with what is the best weight and the best blood pressure for different ages at entry, and by the best is meant that giving the lowest mortality in subsequent experiences. In obtaining the best weight, Mr. Hunter has taken his results directly from the series of tables published by the Medico-Actuarial Committee entitled "Standard Mortality Ratios Incident to Variations in Height and Weight Among Men." He finds that for men of medium height, 5 feet 8½ inches, the best weight for ages at entry below age 35 is about 158 pounds, thereafter tapering off until about ages above 50 he finds but 140 pounds. In the blood pressure, the experience of a considerable number, 67,000, of the New York Life is used to obtain the average for different ages. Mr. Hunter, in his discussion of the subject, apparently inclines to the opinion that while the average blood pressure for persons accepted for insurance increased with age, the best results come from those where the blood pressure does not increase beyond the average blood pressure for the younger ages. He states, however, that there are not yet statistics on which to base results.

"Actual Deaths in The Mutual Life Insurance Company of New York Compared with the Expected by Three Standards." By William A. Hutcheson.

Mr. Hutcheson gives the experience of The Mutual Life for the policies issued in United States and Canada in the years 1907 to 1917, inclusive, carried up to the policy anniversaries in 1918. These policies were all annual dividend policies. The mortality was compared with the mortality as shown by the medico-actuarial table and also with that of the American men table, with the result that the actual mortaliy was 78.7 per cent. of the expected by the medico-actuarial table, and 84.6 per cent. of the expected by the American men table, these figures being by amounts. By policies the percentages were somewhat less. Attention is called to the fact that since the experience ended with the anniversaries of the policies in 1918, it covers little war experience and none of the influenza period except in those cases where the experience extended into the last few months of 1918.

The bulk of the business was written between ages 20 and 50. The experience covered over one billion three hundred million dollars of insurance issued. The exposures were over five billion dollars for one year. Attention is called to the fact that if the experience is divided into the first five years and sixth to eleventh years, each shows almost exactly the same percentage of the expected mortality by the American men table as the total, the variation being only one-tenth of one per cent.; also that if the first year is separated from the others the ratio of the actual to the expected mortality for that year differs only by one per cent. of that of the total experience.

The paper is completed by a series of tables giving in detail the results of the experience.

"Amortization of Bonds." By Percy C. H. Papps.

This paper shows the method by which a company would make the amortization of its bonds year by year in a detailed manner. It was, however, entirely technical.

Mr. Murat L. Johnson presented a paper on "A Practical System of Calculating Expected Mortality and Its Relation to Valuation and Dividend Apportionment," which was also technical.

The regular dinner of the Society was held at the Hotel Jefferson on Thursday night, October 28th, the invited guests being: Mr. J. G. Walker, president, Life Insurance Company of Virginia; W. L. T. Rogerson, vice-president, Life Insurance Company of Virginia; A. S. Hurt, vice-president, Life Insurance Company of Virginia; Charles G. Taylor, Jr., vice-president, Atlantic Life Insurance Company; Honorable Joseph Button, Commissioner of Insurance of Virginia.

Mr. William A. Hutcheson, president of the Society,

acted as toastmaster. The speaker's list included the following:

Mr. J. G. Walker, president of the Life Insurance Company of Virginia; Mr. Charles G. Taylor, Jr., president of the American Life Convention, and vice-president of Atlantic Life Insurance Company.

Honorable Joseph Button, Commissioner of Insurance of Virginia.

Messrs. A. B. Wood, Douglas H. Rose, E. E. Rhodes and J. M. Laird, members of the Actuarial Society.

The Life Insurance Company of Virginia entertained the Society at luncheon at the country club on Friday, and after the luncheon there was an auto ride, with the option, to those who preferred, of playing golf. Entertainment was also provided for the ladies of the party on Thursday afternoon and evening.

LATEST INSURANCE DECISIONS DISCUSSED

By WILLIAM OTIS BADGER, JR.
(Of the New York Bar)

HUSBAND OF DECEASED DAUGHTER NOT "SON-IN-LAW" WITHIN STATUTE PROVIDING THAT "SON-IN-LAW" MAY BE BENEFICIARY—NOT A "DEPENDENT" ON DECEASED WIFE'S MOTHER WITHIN STATUTE RELATING TO BENEFICIARIES—WHEN IMPROPERLY APPOINTED HAS EQUITABLE LIEN FOR ASSESSMENTS PAID.

Some time prior to 1890, a Mrs. Allen secured a benefit certificate in the United Order of the Golden Cross of the World, of which she was a member in good standing, for the sum of $4,000. She named as sole beneficiaries in this certificate her three children; the complainants, Ernest and Charles B. Allen, and her daughter, Allie L. Allen. The daughter married the defendant, Joseph H. Cunningham, in 1890. Mrs. Allen, then, became a member of the Cunningham family. In 1915, Mrs. Cunningham died. Mrs. Allen continued to live with the defendant, Cunningham, until her death in December, 1916. She was entirely supported and cared for by Cunningham and it appears that the relations between the two were at all times most pleasant and affectionate.

For a short time after his marriage to the insured's daughter, Cunningham paid one-half of the assessments due on the benefit certificate held by Mrs. Allen. Thereafter he paid the whole amount due, thus keeping the certificate in force. Mrs. Allen knew the defendant was paying these assessments and often expressed her appreciation for his doing so. After the death of defendant's wife in 1915, Mrs. Allen had the old certificate in which her sons and daughter, the defendant's wife, were named as beneficiaries, canceled and a new one issued, naming the defendant, Cunningham, as the sole beneficiary. This certificate was in force at the time of her death, and Cunningham had paid the assessments on it.

The evidence shows that the consideration prompting Mrs. Allen to have this certificate made payable to defendant was that he had paid $3,852 on it as assessments and she wanted to have him reimbursed.

The complainants resist the right of the defendant to receive the money under said certificate on the ground that he had no insurable interest in the life of the insured and was not, therefore, eligible to be named as beneficiary, and that Mrs. Allen was of unsound mind and mentally incapable of consenting to a change in beneficiaries at the time such change took place.

The defendant filed an answer and a cross-bill. His answer denied that he was without insurable interest in the life of the insured and that he was ineligible as beneficiary. It also denied that the insured was of unsound mind. The cross-bill prayed for the amount due under the certificate, but, if for any reason, the court should be of the opinion that he was not entitled to the proceeds of said certificate as beneficiary, that he be reimbursed for the full amount of the assessments paid by him. The United Order of the Golden Cross of the World answered, admitting the death of Mrs. Allen and that she held the said certificate, and paid the money into court to be held subject to the court's order.

The court found from the evidence that the insured was of sound mind and capable of fully understanding what she was doing when she changed the beneficiaries in the benefit certificate.

It was urged in the court below that the defendant, Cunningham, was not entitled to the proceeds of said benefit certificate as beneficiary, because under the statute he could not be named as beneficiary having no insurable interest (Shannon Code 1917, Art. 3369A-82). This statute provides:

> "The payment of death benefit shall be confined to wife, husband, relative by blood to the fourth degree, father-in-law, mother-in-law, son-in-law * * *"

It was insisted by complainants that, at the time of the changing of beneficiaries, the defendant was not the insured's son-in-law and so had no insurable interest.

This court, the Supreme Court of Tennessee, so decided, quoting:

> "Corpus Juris., vol. 2, p. 379. Death of the spouse terminates the relationship by affinity."
>
> Wilson v. State, 100 Ten. 596. In this case "it was held by this court that the relationship of brother-in-law and sister-in-law was terminated by the death of the wife of the brother-in-law."
>
> Goodall v. Thurman, 1 Head, 209. In this case "it was held that the relationship by affinity is dissolved by the death of the party by a marriage with whom the relationship was created.
>
> "We are of the opinion, therefore, that the defendant, Cunningham, could not legally be designated as beneficiary to said certificate on account of the relationship of son-in-law, because under the rule announced in the cases referred to that relationship had been terminated."

The court also held that Cunningham could not be designated as beneficiary as a dependent of Mrs. Allen. It is said:

> "We do not think this contention is sound. It is true that Mrs. Allen lived in the home of the defendant for a number of years prior to her death, and looked after his household affairs, saw that his meals were prepared, and did many other acts of favor for him; but she was neither under a legal or moral obligation to do so. The defendant was in no way dependent upon Mrs. Allen for assistance, or for maintenance and support. Upon the other hand, the uncontroverted proof shows that Mrs. Allen was dependent upon the defendant for her support and maintenance; she being without means to support herself."

The court decided that Cunningham should be reimbursed for the premiums which he paid on the certificate.

> "* * * It would be, indeed, a harsh rule of equity that would deny him this right. To deny him this right would defeat the expressed and primary purpose which prompted Mrs. Allen to have said certificate made payable to him."

The court cited Insurance Co. v. Dunscomb, 108 Tenn. 724, p. 725, among other cases. There

> "it was held that even where the assignment was void for the want of insurable interest in the assignee, or for other reasons, nevertheless the assignee is entitled to be reimbursed out of the insurance for the premiums paid by him."

The money was, therefore, directed to be applied:

(1) To the payment of the costs of the cause.

(2) To the satisfaction of said sum of $4,430.02, due the defendant.

(3) The remainder of said fund, if any, to be the complainants.

Allen et al. v. Cunningham et al., 223 S. W. 450.

REPORTS UPON COMPANIES AND ASSOCIATIONS

BUREAU OF WAR RISK INSURANCE SUMMARY OF ACHIEVEMENTS.

The announcement of Director R. G. Cholmeley-Jones issued under date September 27, 1920, reached us too late to be included in the October "News."

One of the interesting features is Director Jones' reference to the reduction made in the personnel in the Bureau.

The summary follows:

"A summary of the activities of the Bureau of War Risk Insurance as of August 31, 1920, which indicates the progress which has been made in bringing the work of the Bureau to a current basis, is announced by Director R. G. Cholmeley-Jones.

"1. The Marine and Seamen's Insurance Division has done a total business of $2,390,074,335.00
With premiums collected amounting to 47,585,072.00
On 33,395 policies, resulting in paid claims of. 29,830,746.00
And a surplus over expenses and refunds of approximately 17,500,000.00

"2. The Allotment and Allowance Division has approved 2,098,149 claims for allotment and allowance involving payment
For allotments amounting to $290,019,861.35
For allowance amounting to 267,961,875.91
With a total expenditure of 557,981,737.26
And payments for the month of August, 1920, alone to the amount of
Allotments $766,657.58
Allowances 1,010,695.58

"3. The Compensation and Insurance Claims Division has approved 46,527 claims for compensation on account of deaths in the service, and 200,063 claims for compensation on account of disabilities through service.
At present making payment on 43,677 cases of death claims with a monthly expenditure of $1,151,399.85
And payment on 143,580 cases of disability claims with a monthly expenditure of 5,235,178.10
Including 31,437 burial awards with a commuted value of 2,221,000.67

"4. The Insurance Division wrote, during the war and to date, 4,640,049 War Risk Term Insurance policies covering insurance to the amount of $40,331,640,000.00
The gross premium remittances from all sources approximating. 346,987,730.29
130,017 claims for War Risk Term Insurance allowed on account of death are represented by insurance to the amount of 1,154,911,719.63
While 3,385 claims for War Risk Term Insurance allowed on account of permanent and total disability involve insurance to the amount of 29,577,540.00
During the month of August, 1920, alone, the total disbursements on War Risk Term Insurance claims amounted to 7,320,607.46

"5. The Medical Division through the administration of which the government became medical advisor to the army of men exposed to all the hazards of war, has developed a medical practice of the following proportions:

Claimants ordered for physical examination...	508,973
Patients admitted to hospitals under government supervision	65,129
Patients at present receiving hospital treatment	19,499
Potential patients	641,000

"The number of the personnel in the Bureau has been reduced to 7,323, which is less than one-half the former figures, and further reductions are proceeding continuously."

The director recently issued an announcement (received October 15) referring to inclosures:

"Booklet (Bulletin LD-9). Reinstatement and Conversion Form (LD-8A). Booklet (Bulletin LD-30)."

Saying in part:

"The new law, as shown on page 19 of the inclosed booklet, has greatly enlarged the permitted class of beneficiaries for both War Time and Converted Insurance.

"This new law also provides that the insured may elect to have Converted Insurance, in case of death, paid in one sum or in instalments of 36 months or more.

"To convert your insurance, consult page 33 of the booklet and also rates in the back of the booklet. Then use the conversion blank, which, with detailed instructions, is printed in the six-page circular inclosed with the booklet.

"If your insurance has lapsed, consult the first page of the six-page circular and see what conditions of the new ruling apply to your own reinstatement. Then follow the instructions in the circular carefully.

"This is really too good an opportunity for any of us to let slip. I have held my insurance and I do strongly urge you to hold yours."

Because of the confusion of "Compensation" with "War Risk Insurance" we reprint the following from Bulletin LD-30:

"Compensation Entirely Distinct from War Risk Insurance.

"There is a general misunderstanding in regard to the difference between Compensation and War Risk Insurance. This difference is clearly defined below.

"War Risk Insurance.

"Insurance is bought and paid for by the service man, and is in effect as the result of his making application for it and paying the premiums promptly when due. It is payable only in the event of death or the total permanent disability of the service man, however or wherever caused, either prior to or after discharge. War Risk Insurance has nothing to do with Compensation, and all its benefits are distinct from and in addition to benefits paid for compensation.

"Compensation.

"Compensation is given by the government of the United States without charge to a service man, and is given regardless of whether war War Risk Insurance is carried by him or not. All benefits derived from compensation are in addition to any which may be due from War Risk Insurance."

COLUMBUS MUTUAL LIFE INSURANCE CO., COLUMBUS, OHIO.

Increases Its Capital.

This company recently increased its capital stock from $150,000 to $200,000. The stock (increase in capital) was sold to the present stockholders at double par without commission and we are advised by the company that it was considerably oversubscribed. The new stock has been issued as of October 11, 1920.

The company reports that it has materially increased its business in force during the past eighteen months and is expecting to change its basis of valuation from the present or Ohio Standard to the Illinois Standard, which change will increase the company's reserve by aproximately $60,000.

CONNECTICUT GENERAL LIFE INSURANCE CO., HARTFORD, CONN.

Dividend scale June 1, 1920 to May 31, 1921.

This company's scale of annual dividends as published in "Best's Analyses," pages 583-585, has been modified to cover the year ending May 31, 1921.

Illustrations based on $1,000.

Age at issue..	25	35	45	55
Ordinary Life.				
Year issued..Prem.	$18.12	$23.89	$34.02	$52.96
1918	1.25	1.93	2.60	2.04
Prem.				$55.64
1919	1.15	1.79	2.35	4.34
1920	1.05	1.63	2.11	3.99
20-Payment Life.				
Prem. ...	$28.18	$34.50	$44.58	$62.63
1918	2.90	3.97	5.34	8.75
1919	2.70	3.71	5.50	8.10
1920	2.51	3.47	5.17	7.63
20-Year Endowmnt.				
Prem. ...	$47.28	$49.13	$53.79	$66.66
1918	4.10	4.89	6.41	8.81
1919	3.69	4.48	5.97	8.28
1920	3.29	4.07	5.54	7.77

DETROIT LIFE INSURANCE COMPANY, DETROIT, MICH.

Report of Examination.

This company was examined by the Insurance Department of Michigan as of August 31, 1920, the report being dated September 22, 1920. The financial condition of the company on August 31 (income-disbursements for eight months, January to September 1st), as ascertained by the examiner, in brief, was:

Admitted assets	$1,565,752
Net reserve	$1,390,592
Capital	$135,000
Surplus	$9,567
Total income	$558,717
Total disbursements	$336,824
Insurance in force	$20,302,918

The company was previously examined by the Michigan Department as of February 29, 1920, which examination was reviewed in Best's Insurance News (Life Edition), August 2 last. Between the dates of these examinations the company's surplus has been increased $10,516.18.

EUREKA LIFE INSURANCE COMPANY, BALTIMORE, MD.

Changes Its Ordinary Policies.

This company has announced the issuance of a new Ordinary Policy which contains all the standard provisions, and, in addition

(a) Double Indemnity,

(b) Total and Permanent Disability Benefits,

(b-1) Waiver of Premium, without deduction,

(b-2) Monthly Income in the event of Disability,

(c) Monthly Income Settlement Option.

The present rates will cover the gross cost of these new Policies, although the cost of Total and Permanent Disability features and those for Double Indemnity provisions will be stated in the Policy, and where these features are not acceptable to the insured, or where for any reason any one of these features is withheld, the cost of such estimated provision will be deducted from the gross premiums now charged.

GEORGE WASHINGTON LIFE INSURANCE COMPANY, CHARLESTON, WEST VA.

Extracts from Semi-Annual Statement June 30, 1920.

Total admitted assets	$2,133,948.67
Net reserve	$1,762,812.63
Capital paid in	$250,000.00
Net surplus over all liabilities including capital	$87,767.81
New premiums	$56,516.88
Total premium income	$258,411.03
Total income	$321,378.79
Payments to policyholders and annuitants	$101,189.04
Total disbursements	$211,326.37
Paid for (ordinary) ins. written Jan. to June 30	*$2,069,312.00
Total (ordinary) ins. in force June 30, 1920	*$15,061,048.12
Approximate mortality ratio "actual to expected" Jan.-June 30, about	60%

*The new insurance written (paid for basis), between July 1, and September 30, both dates inclusive, was, $998,021, and the total in force on September 30 was $15,630,741.

GIRARD LIFE INSURANCE COMPANY, PHILADELPHIA, PA.

Dividend Scale July 1, 1920.

This company's scale of annual dividends for the year ending June 30, 1920 (as published in "Best's Analyses," pages 605 and 606), has been continued to December 31, 1920.

It is probable the company will thereafter change its dividend years to correspond with the calendar year.

GRANGE LIFE INSURANCE COMPANY, LANSING, MICH.

Report of Examination Reviewed.

This company was recently examined by the Insurance Department of Michigan as of December 31, 1919. The report being dated June 29, 1920, includes a supplementatl memorandum referring to an inspection made on September 24, 1920.

The financial condition of the company is substantially the same as appears on pages 229 to 231 "Best's Life Insurance Reports" (1920), the slight difference being:

	Examiner's Report.	Best's Report.
Admitted assets	$729,425	$732,113
Net reserve	$335,295	$330,390
Surplus	$197,367	$204,961
Total income	$289,001	$288,891
Total disbursements	$143,041	$142,931

Extracts from Report — Capital Stock.

"The original authorized capital was $100,000, which was increased March 5, 1910, to $200,000, divided into 4,000 shares of par value $50 each. The present paid-in capital as shown in the financial statement amounts to $185,174.91. However, the stock certificate books do not agree with this amount. This matter was discussed with the president of the company, who agreed that a careful check on this item would be made and that it would be properly adjusted.

"The company paid out $5,000 in dividends during the year 1919, which is equivalent to 2½% of its authorized capital. Dividends were paid on stock that was not fully paid for.

"It was also noted that partially paid-for stock was voted at the annual meeting of the company.

Reserve.

"This item was computed by the Actuarial Division of the Insurance Department on the American Experience Table of Mortality with interest at the rate of 3½% per annum, by the Preliminary Term Method, modified on the basis of a Twenty Payment Life Policy; and the National Fraternal Congress Table of Mortality, with interest at the rate of 4% per annum. The amount as originally shown in the annual statement has been increased $4,905.

Claims.

"Upon examination of the claims we found that the company does not make a practice of requiring the policy to be returned to the company on payment of claim. We also found a few cases where proofs of death were waived. Although the company was absolutely certain of the death of the insured, we believe that proofs should be filed in each case.

Board of Directors.

"According to statute, members of the Board of Directors shall be owner of at least ten shares of stock in his own right. The following do not qualify as directors: C. H. Bramble, F. E. Dunn, Dr. James W. Glover and J. C. Ketchum.

"Supplement to the Report on Examination Dated June 29, 1920.

"With reference to remarks regarding the Board of Directors, I beg to state that upon investigation on September 24, 1920, Messrs. Bramble and Glover were found to be qualified directors. However, there are still two vacancies, as the directors reported Messrs. Dunn and Ketchum do not hold sufficient stock to qualify."

The insurance in force of this company, increased from $7,806,178 on December 31 last, to $10,116,614 as of June 30, 1920.

GUARANTEED EQUITY LIFE COMPANY, CHICAGO, ILL.

As reported in "Best's Insurance News," Life Edition, October 1, 1919, this company, which was licensed under the mutual assessment laws of Illinois, was authorized to do business on August 27, 1919.

The policy contract is unique and provides for the payment of its face together with the accumulated Advance Payment Balance as provided in the contract.

Some of the clauses in the contract are:

"This insurance is granted in consideration of the application and medical examination of the insured, which are made a part of this contract, and the payment of $....., the first ..... deposit, receipt of which is hereby acknowledged; and the further payment of $.....

"Payments of ..... may be made after first year. Such payments shall include or apply on the yearly charges shown in Condition 15. Any overpayment is placed to the policyholder's credit in the Advance Payment Balance * * *."

Condition 15 is a table showing the mortuary step rate at attained ages to be contributed by each policyholder after the first year which, with the expense charge, constitutes the yearly charge.

Illustration of Rates.

15	$3.36	55	$12.24
20	3.48	65	33.84
25	3.60	70	48.36
35	4.08	75	85.44
45	6.00	80 and after	138.00

"Object and Intent.

The object and intent of this company is to guarantee exact justice to each and every policyholder.

First.— To continuously conduct its business on the principle of pure mutuality.

Second.— To grant a simple honest policy upon which recognized adequate deposits may be made.

Third.— To credit each policyholder with all payments made and his pro rata share of all profits earned.

Fourth.— To debit each policyholder with the amount set aside for the Mortuary or Emergency Fund for the identical years for which he makes payments, and with the expense stated in his policy contract.

Fifth.— To thus keep an Individual Account with each policyholder, the same as Savings Banks, which will show any Advance Payment Balance of the insured.

Sixth.— To give each policyholder a statement of his account, either annually or upon request.

Seventh.— To pay upon demand the Advance Payment Balance, either upon the termination of the policy or in addition to the face of the policy at death.

Eighth.— To permit the policyholder to withdraw any portion of his Advance Payment Balance at any time, subject to the conditions of this policy.

Ninth.— To so conduct its business that no policyholder can forfeit so much as one dollar of his true equity.

In Other Words.— To enable the policyholder to obtain Insurance at Actual Cost, for the actual period his policy has been in force.

"Expense Charge.

"The Expense which shall be charged against this policy after the first year and during the time the insurance is in full force shall be $5.00 for each One Thousand Dollars insurance for nine years, and $3.00 for each One Thousand Dollars insurance each year thereafter.

(Continued on next page)

GUARANTEED EQUITY LIFE—(Con'd)

"Any portion of the Expense Charge not used for current expenses shall, upon action of the Board of Directors, revert to the Mortuary or Emergency Fund.

"Exemption from Liability.

"The private property of the policyholders of this Company shall be exempt from corporate debts. No personal liability, beyond the payment of any personal note given for premiums, is incurred by the insured on account of this policy.

"Pledge of Assets.

"The entire assets of this company are pledged to maintain the Regular Premium, but nothing herein shall preclude such deviation in premium as the experience of the company may require."

The contract contains the usual provisions as to misstatement of age, change of beneficiary and is explicit as to the risks not assumed and the limitations as to war risks.

The accompanying literature embraced a sample card illustrating an individual account.

INDEPENDENT ORDER OF PURITANS, PITTSBURGH, PA.

Rehabilitation Plan.

The financial standing of this society as reported for the year ending December 31, 1919, in brief, was as follows:

Admitted assets	$136,415
*Liabilities	$170,833
Total cash income	$292,876
Claims paid	$191,205
Total disbursements	$321,126
Insurance in force	$12,789,834

*Includes valuation of monthly instalments on annuity claims.

It will be recalled that because of certain actions taken by the Insurance Department of Pennsylvania, the society was stopped from carrying out a proposed secret arrangement for reinsurance.

The Insurance Department also caused the contract the society had with the American Guaranty Company to be set aside as of January 1, 1920, and because of the attitude taken by the Pennsylvania Department, Actuary E. P. Burns, formerly of Atlanta, Ga., became the Supreme Secretary of the society, in whom the Insurance Department of Pennsylvania has absolute confidence.

The contract that was entered into between the society and the American Guaranty Company was very profitable to the American Guaranty Company but not profitable to the Independent Order of Puritans and the present condition of the society is because of such contract which has now been set aside.

The plan of rehabilitation is not a plan of readjustment, it is a proposition in equity, by which the voluntary concessions of the living members in the way of extra payments and by the beneficiaries in acceptatnce of reduced annuities, affords means of repairing the deficiency in funds now existing and forms a basis for the proposed actuarial readjustment of the business in force, taking in due consideration the mass impairment in risks.

In its present stage, that is, the formation of this basis for adjustment, it is practically a "Hobson's choice" if the Order is to continue business.

The Insurance Department has been very loath to order a liquidation of the business without giving the members an opportunity for rehabilitation. Happily the indications at the present time are very good indeed, responses are heavily in favor of going on, the living members accepting the extra or emergency tax and the beneficiaries consenting to the reduction in the annuities in future payment and the lump sum claims to be paid by a series of partial payments.

The Insurance Department of Pennsylvania is entitled to the thanks of all members and beneficiaries for its untiring efforts in the attempt to re-establish a normal heathy condition of the order.

It is expected that within five years rehabilitation will have been effected. The plan ratified by the Supreme Council is as follows:

"(1) An emergency tax of one-half of the amount of a regular monthly premium, to be paid each quarter (once every three months).

"(2) Amendment to the laws of the Order (members consent to the same) so that the death claims which are payable in cash, shall be paid, 25% cash, and the remaining 75% divided into equal consecutive monthly instalments for forty-eight months (four years). This applies to claims already accrued and those which may accrue.

"(3) Surrender of the certificates now held by members (with or without 'rider') as originaaly issued by the Knights of Honor, Ancient Order of Samaritans and other societies reinsured by The Independent Order of Puritans, and they to receive in exchange therefor, the Regular Transfer Certificate heretofore provided for such cases, and which places the insurance on the proper basis in accordance with what the dues paid entitle the members to receive. Previously, the reinsured certificates were providing rates absolutely too low for safety, and the rights of other members were trenched upon.

"(4) Reduction of accrued Annuities by scaling them 25% in future payments to compensate for the totally inadequate premiums paid therefor by the Certificate Holder."

JEFFERSON STANDARD LIFE INSURANCE COMPANY, GREENSBORO, N. C.

Dividend Scale July 1, 1920 to June 30, 1921.

This company's scale of dividends as published in "Best's Analyses," pages 615-617, has been slightly modified to cover the year ending June 30, 1921.

Illustration based on $1,000.

Age at issue ..	25	35	45	55
Ordinary Life.				
Year issued.. Prem.	$19.35	$25.63	$36.89	$57.93
1918	2.46	3.41	5.11	8.17
1919	2.34	3.23	4.81	7.74
1920	2.22	3.04	4.53	7.31
20-Payment Life.				
Prem.	$28.59	$35.07	$45.41	$63.84
1918	3.39	4.37	5.96	8.75
1919	3.14	4.04	5.54	8.23
1920	2.90	3.73	5.14	7.72
20-Year Endowment.				
Prem.	$48.10	$50.20	$55.28	$68.77
1918	6.57	7.03	8.02	10.28
1919	6.04	6.51	7.50	9.71
1920	5.55	6.00	6.96	9.15

MEDICAL LIFE INSURANCE COMPANY, WATERLOO, IOWA.

This new company with the above title was incorporated under the laws of Iowa, September 20, 1920, the authorized capital being $300,000. The par value of shares is $10, and the selling price $20, with the organization expenses limited to 25%.

The company is to specialize in writing sub-standard risks, the reserve basis being the full Net Level premium, American Experience, 3½% — with double mortality loading.

Officers and Directors.

Wm. F. Getsch, Chairman, Board of Directors; Dr. W. A. Rohlf, president; Dr. Wm. H. Ross, vice-president; Dr. J. E. Brinkman, 2nd vice-president; J. M. Schultz, secretary-treasurer; Dr. Wm. H. Ross, Chief Medical Director; Dr. W. A. Rohlf, Dr. J. E. Brinkman, Dr. Frank A. Ely and Dr. Julius S. Weingart, Associate Medical Directors; Edward F. Lunsford, Chief Counsel; George B. Worthen, Associate Counsel; Frederick S. Withington, Actuary; C. H. Mayer, general supt.; S. C. Cooperman, agency supt.

The company proposes to establish a Health Service Department providing for at least an annual and if necessary oftener periodical medical examination of its policyholders.

A pamphlet issued by the company describing its Health Service Department, states:

"Our Conception of Life Insurance.

"Our conception of life insurance is somewhat different from its usual interpretation. We will pay our just death claims as promptly as any other company, but first of all we propose to help our policyholders prolong their lives, assist them in eradicating their physical impairment and do everything in our power to co-operate with them in an endeavor to eradicate the causes which now unfortunately compel the standard life insurance companies to deny them insurance protection.

"The task of insuring lives, that is keeping our policyholders as long as possible alive, appears to us as the most important task of all and for that reason the establishment of our Health Service Department should prove one of the most important features of the Medical Life Insurance Company.

"Periodical Examinations.

"Suppose one of our policyholders suffering from a slight lesion of the kidneys, showing perhaps in the urinalysis, a trace of albumin or cast, is written on an ordinary life policy with a five-year termination clause. In order to determine the seriousness of this trouble, to help our medical department to properly determine whether this affection is of acute or chronic character, or a condition which may be relieved by proper dietary and medical supervision, a regular examination of the policyholder at stated intervals, say monthly or quarterly, will be an important factor in enabling the company to

arrive at a definite conclusion as to the seriousness of this kidney lesion and what effect it may have upon the expectancy of life of the policyholder.

"It stands to reason that a temporary ailment of trivial character will yield to intelligent medical supervision and a good number of our policyholders will be helped by our Medical Department to be placed in the Standard class, while in others who have a pronounced impairment a vigorous effort will be made to check the progress of the disease, thereby the noblest and most important mission of life insurance will be fulfilled. The absolute justice of enabling our policyholders to co-operate intelligently with our Health Service Department to remove if possible their substandard condition should be particularly emphasized.

Early Diagnosis.

"It is reasonable to state that a good many diseases of most dangerous character will in this manner be discovered and guarded against in their very beginning. The organization of our Health Service Department will be entrusted to the very best medical talent available."

MINNESOTA MUTUAL LIFE INSURANCE COMPANY, ST. PAUL, MINN.

Dividend Scale September 1, 1920.

This company's scale of annual dividends as published on pages 633-635 in "Best's Analyses" 1920, for the year ending August 31, 1920, has been continued for another year or for the period September 1, 1920, to August 31, 1921.

MUTUAL TRUST LIFE INSURANCE COMPANY, CHICAGO, ILL.

This company's scale of annual dividends as published in "Best's Analyses," pages 642 to 644, which were for the year ending April 30, 1920, has been continued for another year.

Under the company's special $5,000 Ordinary Life policy the scale of dividends payable for the year May 1, 1920, to April 30, 1921, as follows: $5,000 insurance.

Age of Issue.	Annual Prem.	Div. Issue 1919.	Div. Issue 1920.
25	$77.76	$1.45	$.85
30	88.52	1.70	1.00
35	102.54	2.10	1.20
40	121.03	2.55	1.45
45	146.00	3.15	1.75
50	180.20	3.90	2.15
55	227.27	4.75	2.70
60	292.67	5.85	3.35

NIAGARA LIFE INSURANCE COMPANY, BUFFALO, N. Y.

Change in Management.

This company (which has recently been examined by the Insurance Department of New York) has announced a change in its directors and officers, those now responsible for the company's management being:

Directors.

Victor Berlin, merchant, Wilson, N. Y.
Edward H. Burke, president and general manager, Buffalo, N. Y.
Myron S. Hall, president, Buffalo Trust Co.
Burt C. Johnson, M. D., physician and surgeon, Buffalo, N. Y.
P. W. Madden, insurance, Rochester, N. Y.
Arthur J. Miller, cashier, Niagara Life Insurance Company, Buffalo, N. Y.
Thomas D. Powell, lawyer, Buffalo, N. Y.
Sanford H. Randall, insur., Buffalo, N. Y.
L. K. Salsbury, cotton merchant, Memphis, Tenn.
J. M. Surdam, secretary and actuary, Buffalo, N. Y.
Eugene Tanke, jeweler, Buffalo, N. Y.
J. Foster Warner, director, National Bank of Commerce, Rochester, N. Y.

Officers.

Edward H. Burke, president and gen. mgr.
J. Foster Warner, vice-president.
J. M. Surdam, secretary and actuary.
Thomas D. Powell, gen. counsel and treas.
Burt C. Johnson, M. D., medical director.

A brief summary of the financial statement taken from the report of the examiners of the New York State Insurance Department as of September 30, 1920.

Assets.

Ledger assets	$1,988,792.30
Non-ledger assets	133,777.84
Gross assets	$2,122,570.14
Non-admitted assets	204,288.23
Admitted assets	$1,918,281.91

Liabilities.

Reserve for policyholders	$1,710,715.79
Medical fees, commissions and bills due and accrued	1,509.85
Other liabilities	13,544.09
Surplus and special funds	42,512.18
Capital stock	150,000.00
	$1,918,281.91

The examination will be reviewed in a subsequent issue of this paper.

PRESBYTERIAN MINISTERS' FUND, PHILADELPHIA, PA.

Report of Examination Reviewed.

This company has been examined by the Insurance Department of Pennsylvania as of December 31, 1919, the report being dated October 15, 1920.

The financial condition of the company as ascertained by the examiner differs somewhat from the statement published in "Best's Life Insurance Reports," page 535 (see below):

	Examiner's Report.	Best's Report.
Admitted assets	$9,682,939	$9,694,465
Net reserve	$8,825,121	$8,965,421
Total liabilities	$9,186,640	$9,318,343
Surplus	$496,298	$376,122

In referring to the examination the examiner stated in part:

"Liabilities.

"The net present value of all outstanding policies on December 31, 1919, was computed by the actuary of this department, Mr. R. E. Forster, on the tables of mortality and rates of interest, as shown in the foregoing statement.

"In comparing the reserve figures of this report with those reported in the fund's annual statement, a difference of $140,300 will be noted, occasioned by the fact that this examination developed a discrepancy, the actuary having made an exhaustive investigation of the data and found errors which reduce the reserve liability by that amount on the American three per cent. table.

"Remarks.

"The orginal policies issued in 1903 by the fund, contained the following clause, as to the grace period:

"'The intention was to take a note for the first year's premium without interest and not deducted in event of death in the first year.'

"This is giving away the first year's insurance for nothing. In the case of a twenty-year endowment, this made the pure endowment payable at the end of the twenty-first year. This policy could be valued as a one-year term and twenty-year endowment, if all took advantage of the year of grace, but as a discount of six per cent. was allowed on premiums if paid when due, many took advantage of this discount. Therefore, it was simpler to value as a twenty-one year endowment, twenty payment, and give credit for the due premium.

"The grace clause was changed in 1905 to make the note for first year deducted in case of death and the endowment payable at the end of twenty years from the year of entry. These also were valued in the ordinary way, with a credit for the due premium.

"The law says that a grace of one month, or thirty days, must be granted, and it is fair to interpret this to mean, at least, thirty days.

"If the fund confined itself to this year of grace for due premiums and claimed only that, since the reserve is charged as though it had been paid, there would be no criticism, but in numerous cases nothing has been paid for two, three, four, and, in a few cases, five years. In many cases the premiums for the year 1916 and 1917 were being paid in 1919; in others, the loans on policies, plus the due premiums, exceeded the reserve. To accurately arrive at the excess to be charged out would take too long a time for your examiners, but an effort was made in this direction by taking the due premiums on those policies, upon which the premiums were two years or over, and charged out as before mentioned.

"There is no question but that in an ordinary company the policy should be cancelled if the first premium is unpaid after the grace period, or, in renewal premium, if the reserve is not sufficient, but this is not an ordinary company. There are reasons in the nature of the fund and its business of insurance on the lives of clergymen that warrant it in giving a certain latitude to its policyholders beyond what ordinary business would require. The premium is low, the net being loaded only ten per cent. for expenses and a payment made in advance is discounted at six per cent. This taken, in addition to a grace of one year, seems to your examiners a very generous policy. Also, on all new business written in 1919, the gross premium is used as an asset, while the net mean reserve is carried as a liability. A policy which has unpaid premiums for one year, or more, also includes in new premiums due, the first premium unpaid. This conveys a wrong impression that the policy was a writing of 1919.

"It is not good business and should not be permitted to continue to carry policyholders in the manner described, but the directors could have a fund created for the purpose of helping out this class. The present policy is, of course, an injustice to the prompt policyholders.

"It seems to your examiners that it is a vital necessity the fund employ an actuary to go over the whole ground and suggest a course of action after the complete facts are ascertained."

SOUTHWESTERN LIFE INSURANCE COMPANY, DALLAS, TEXAS.

Report of Examination Reviewed.

This company has been examined by the Insurance Department of Texas, the report dated July 26, 1920, was but recently released as a public document. In referring to the scope of the examination the examiner stated:

"The company was last examined at the instance of your department as of September 30, 1918. This examination covers the period from that date to December 31, 1919, together with such a review of the transactions of 1920 up to July 24th as the circumstances seem to justify."

The financial condition of the company as of December 31, 1919, as ascertained by the examiner differs somewhat from that published in "Best's Life Insurance Reports," pages 623-626, as indicated as follows:

	Examiner's Report.	Best's Reports.
Admitted assets	$7,071,740	$6,971,720
Net reserve	$5,581,853	$5,779,520
Total liabilities, except capital	$6,064,175	$5,963,654
Capital	$500,000	$500,000
Surplus	$507,565	$508,066
Total income .....*	$2,709,031	$2,302,707
Total disbursements..†	$1,673,163	$1,366,859

* Includes borrowed money, a $400,000.

† Includes borrowed money repaid, $300,000.

In referring to borrowed money the examiner stated:

"Borrowed Money.

"This represents the amount of money obtained by the company under 'repurchasing agreements' referred to under item No. 12 above. Four of these transactions took place during the year. In each case, the vice-president of the company merely wrote a letter to a bank stating that he was 'handing herewith the following bonds,' then a list of the kind of Liberty Bonds and the par value followed, each time amounting to $100,000. The vice-president agree that the company would take up the bonds and pay a stipulated interest rate for the $100,000, which he requested be credited the company's account, the company to be credited with any interest maturing on the bonds. The bank acknowledged receipt of the bonds and notified the company that its account had been credited with the amount desired. Six months after the date of this letter, the company drew its check payable to the bank for $100,000 plus interest on the $100,000, less any interest maturing on the bonds during the period. The company considered the bonds purchased when the bank was paid, and so reported in its annual statement. In your examiner's opinion, these were purely collateral loans made to the company and the bonds were deposited as security for the loans, and they have been so handled in this report."

In referring to this particular comment the company states:

"Borrowed Money.— Your attention is called to the fact that from the reading of this item one might infer that the vice-president had made these loans without due authority. Accordingly, your attention is called to the fact that on June 9, 1919, the following resolution was passed by the directors: 'Be it resolved, that the president of the company be and is hereby authorized to borrow money to the extent of the United States bonds owned by it, and to place such bonds as security thereof, for the purpose of lending the proceeds of such loans on real estate or other security.' In addition to this authorization by the board, in each instance where the company borrowed money on its Liberty Bonds, the individual transaction was authorized in advance by the executive committee as shown by the minutes of said committee. For instance, on January 27, 1919, the minutes of the executive committee read: 'The executive committee authorized the arrangement.'"

EXAMINER'S COMMENTS, EXTRACTS.

"History of the Company.

"The company was incorporated and began business in 1903, with $100,000 capital and $50,000 paid-in surplus. The paid-up capital was increased to $200,000 in 1908 and to $250,000 in 1909, $75,000 and $50,000, respectively, being paid in as surplus by the purchasers of this increase in stock. No promotion fees or expenses were paid in connection with the sale of the company's capital stock. The capital was increased to $500,000 in 1915 by a stock dividend of $250,000.

"A cash dividend of twelve per cent. was paid in 1919, and another at the same rate was declared during January of this year. The minutes of the meetings of the stockholders and the directors held April 20, 1920, copies of which are attached to this report and marked Exhibit 'A,' show that a stock dividend of fifty per cent. has been recently declared, thus bringing the total capital up to $750,000. Stock certificates have been issued for this dividend, with the exception of thirteen shares which are due the estates of three deceased stockholders. Certificates cannot be issued in these cases until the question of legal ownership has been determined. The company still maintains, however, a surplus well above the original paid in surplus, hence these dividends have been paid from actual earnings of the company.

"As the early history of the company has been more fully covered in reports of previous examinations, it does not seem necessary to give more details in this report.

"Assets.

"Book Value of Real Estate.— The company's Home Office building is the only real estate owned. The building is a sixteen story, fire proof, steel structure, located on the southeast corner of Main and Akard streets in the city of Dallas, Texas. The building faces 100 feet on Main street and extends back 100 feet on Akard. The lot and building was appraised at $1,250,000 by a board appointed by the Commissioner of Insurance and Banking in February, 1914. Since that date it has been carried in the company's financial statement at this figure, and is so carried in this report, the excess of the appraised value over the book value being carried under non-ledger asset, item No. 17.

"The rate of income on the appraised value for 1918, after deducting all expenses and taxes, was approximately 6.0%, and the corresponding rate for 1919 was 6.2%. This is an excellent return on an office building, and tends to show that the renting of space in the building is exceedingly well handled and that the valuation is very conservative.

"Since the assessed value of the building is less than the capital and surplus, the company does not have to pay any taxes that it would not have to pay if funds equal in value to the building were invested in taxable securities and the company owned no real estate. In other words, if the company were to sell the building and invest the proceeds in securities not exempt from city, county and state taxes, under the laws of Texas it would be required to pay a personal property tax approximately equal to the taxes it is now paying on the building. From this viewpoint, if we were to compare the net revenue of the building with the interest income from such securities as mortgage loans, taxes should not be deducted from the rents received. The rate on the appraised value without deducting taxes was approximately 7.1% for 1918 and 7.5% for 1919.

"The above figures are based on receipts and disbursements. If accruals were taken into consideration, the rates would be only slightly different.

"Deferred Dividends.

"The company determines the amount of this liability by accumulating the excess of premiums charged on deferred dividend policies over the non-participating premiums on a corresponding policy. The liability here set up is for all policies where the dividend is due in 1920. The company does not maintain a special reserve for deferred dividends until the year prior to that in which they are payable.

"Business of the Company.

"At the close of business December 31, 1918 (typographical error corrected—editor), the company had insurance in force amounting to $46,937,846. During 1919 (typographical error corrected—editor) it issued and paid for nearly $19,000,000 of business, and at the close of the year there were $61,968,311 of ordinary business in force. The records and experience of the company shows that it has a valuable, selected class of business.

"In addition to ordinary insurance in force the company had $3,366,689 of group insurance in force at the close of 1918. This amount has increased to nearly five and one-half millions by end of 1919. The company charges rates approximately equal to those charged by other companies doing this class of business. These rates are lower than the net rates based on the American experience table of mortality with 3½% interest assumption, but a deficiency reserve is set up for period that rates are not subject to change. When a policy is issued to an employer whose employees are engaged in hazardous occupations a flat extra rate is charged for the hazard assumed. Group insurance has not proven very profitable on account of the influenza epidemic

soon after the company started issuing group policies, and also on account of a slight recurrence of the epidemic during the early part of 1920. The records show, however, that a relatively good profit would have been realized if there had not been losses from influenza.

"Death Claims.

"The company maintains a death claim register showing all claims paid and outstanding. The records and files show that settlement of death claims is given prompt and careful attention, and where there is any delay in settlement of a claim it is not the fault of the company.

"Dividends to Policyholders.

"Since 1916 the company has used the following methods in determining annual dividends on its policies:

"1. On all 4½% policies, excepting endowments, the dividends are equal to 1½% of the reserve to 1925, decreasing one-tenth of 1% each year thereafter, plus $2.50 per $1,000. On endowment policies the dividend is 1½% of the reserve to the tenth year, decreasing one-tenth of 1% each year, plus $2.50, decreasing to 0 from middle of the term.

"2. Dividends for the higher rates of 1907 to 1910, inclusive, are equal to 1½% of terminal reserve to 1925, decreasing one-tenth of 1% each year thereafter, plus $2.50 for $1,000, plus the difference of loading of the higher rates of 1907 and the lower rates of 1910.

"3. The dividends for the reduced rates for November, 1910, and subsequent issues are the same as the above 3½% issues, with the exception of the addition of the difference in loading.

"The company reinsured the outstanding business of the Paris Co-Operative Life Insurance Company of Paris, Texas, in 1912, and the business of the Citizens Co-Operative Life Insurance Company of Fort Worth, Texas, in 1915, and has been determining annual dividends on policies assumed under these reinsurance agreements according to method No. 3 above. Your examiner was informed that there was an agreement with the department soon after these companies were reinsured by which annual dividends were to be calculated according to method used in determining dividends on annual dividend policies originally issued by the Southwestern, and that at the end of a period of approximately five years a calculation was agreed to be made to determine whether the company had paid more or less dividends than the policyholders were entitled to under their contracts and the laws. A few tests were made during the examination, and it would appear that the amount of dividends paid on business of the Citizens Co-Operative Life is approximately what it would have been if accurately determined according to the policies.

"Your examiner recommends that a more detailed calculation be made by the company and the results be presented to the department before December 31, 1920."

The above paragraph is answered by President Vardell's letter (made a part of the examination) as follows:

"On page 18 the following appears: 'Your examiner was informed that there was an agreement with the department soon after these companies were reinsured, by which the annual dividends were to be calculated according to methods used in determining dividends on annual dividend policies originally issued by the Southwestern, and at the end of the period of approximately five years a calculation was agreed to be made to determine whether the company had paid more or less dividends than the policyholders were entitled to under their contracts and the law. A few tests were made during the examination and it would appear that the amount of dividends paid on business of the Citizens Co-Operative Life is approximately what it would have been if accurately determined according to the policies.'

"As I advised your examiner, the company has no record of the alleged agreement. It is very possible that the former actuary of the company, Mr. L. M. Cathles, may have stated to the department that it was his intention to have made up statements at the end of certain periods to see how the business was working out. He may have gone further and said that the policyholders would be treated absolutely fairly, which has been done and which will continue to be done. There is, however, no agreement, on the part of the company not covered by the contract of reinsurance, which the company has lived up to and will continue to live up to in the future.

"Under these circumstances, while we see no reason for the recommendation that a more detailed calculation be made by the company and furnished to the department, nevertheless same has been made and is submitted herewith:

"'Under the Paris Co-operative we paid dividends amounting to $2,070.91. The actual mortality experienced amounts to $6,552.71. Total payments under policies, exclusive of any expense, amounts to $8,623.62. The expected mortality figures $5,554.80, from which you will see that the total payments to policyholders exceed the expected mortality by $3,068.82. In other words, the company has paid out, exclusive of any expense, $3,068.82 more than earned.

"'Under the Citizens Co-Operative of Fort Worth, the company has paid dividends amounting to $4,111.47. The actual mortality amounts to $5,675.97, making total payments, exclusive of expense, $9,787.44, with an expected mortality of $10,135.67, from which you will see that the expected mortality exceeds the total payments by $348.23. However, at the time this company was taken over there was a deficit in the reserve of $1,348.93, so that figuring this exactly there would have been a very much smaller amount of dividends paid than have been paid."

Other comments of the examiner:

"Investments.

"The company has been very careful indeed in handling of its investments. The greater amount of available funds have been invested in first lien mortgage loans, which pay a rate above the average for this class of investments for insurance companies. The company has maintained its high record of never having foreclosed to collect a mortgage or past due interest, and the amount of past due interest has always been relatively small. The company has approximately over $300,000 invested in Liberty Bonds, and has been using these bonds greatly to advantage in obtaining funds to make loans, when loans were available and cash receipts not sufficient. The value of the company's real estate as an investment has already been discussed.

"The success the company has made speaks highly for the efficiency of the management and clearly shows that the officers of the company have been alive to their respective duties. Each officer is a capable and experienced man in his field of service."

The report also includes copies of the resolutions adopted at the meeting of stockholders and directors held April 20, 1920, at which a stock dividend of 50 per cent. of the then capital was authorized and declared, thus increasing the capital to $750,000.

SUPREME FOREST WOODMEN CIRCLE, OMAHA, NEB.

Report of Examination Reviewed.

This society was recently examined (convention examination) by the Insurance Departments of Nebraska, Arkansas, Iowa, Kansas, Mississippi and Missouri.

The report, dated July 24, 1920, in referring to the scope of the examination, states:

"The last examination was made as of May 31, 1917, and transactions since that date up to and including December 31, 1919, have been examined and verified during the present examination."

The financial condition of the society as ascertained by the examiners showed that the income and disbursements for the year 1919 to be the same as that published in "Best's Life Insurance Reports," Fifteenth Annual Edition, 1920, page 857. The assets and liabilities, however, as of December 31, 1920, are different as indicated below:

	Examiner's Report.	Best's Reports.
Admitted assets	$8,171,372	$8,051,750
Liabilities	$635,030	$640,417

EXAMINERS' COMMENTS, EXTRACTS.

"Borrowed Money.

"As of December 31, 1919, the expense or general fund was depleted owing to the extraordinary expenses incident to the meeting of the Supreme Forest, litigation, etc., and preparation of the plan of readjustment, making it necessary that the society borrow funds to meet these expenditures. The net sum borrowed and still outstanding as of June 30, 1920, being $115,000.

"Your examiners have verified the apportionment of receipts under the By-Laws effective January 1, 1920, and find this condition has been adjusted and a balance on hand to the credit of this fund as of June 30, 1920, of $166,559.77, which is sufficient to liquidate all expense liabilities.

Death Claims.

"During the period covered by the examination, 31 months death claims aggregating $4,175,306.97 were paid. All claims which were reported to the Society and which were for any reason whatsoever rejected, scaled down, compromised or delayed in payment, were examined in detail. The files disclose no rejected, compromised or delayed settlements that were not fully justified by the evidence produced. The papers in a great number of other claims were inspected and it was found that all just claims are paid promptly upon due proof of the death of the insured. The evident disposition of the Society is to settle all claims in accordance with the terms of the certificates, and the absence of litigation shows that the Society is not disposed to avoid the payment of otherwise just claims through technicalities. It has been the practice of the Society, in cases

(Continued on next page)

SUPREME FOREST, WOODMEN CIRCLE
(Continued)

where it was established that the age of the insured at the time of admission was understated in the application, to pay the full amount of the certificate less only the difference between the amount of the assessments paid and the amount which should have been paid if the correct age at entry had been stated.

"Your examiners have recommended that in the future where errors in age occur, the beneficiary be paid only such sum as the rate actually paid would purchase at the correct age; which method is in accord with sound insurance practice and the Society has agreed to follow this course in the future.

Supreme Forest Woodmen Circle Experience Table of Mortality.

"The Mortality Table in use by the Society was derived from its own experience covering a period of twenty-six years of operation with aggregate exposure to risk of death for one year numbering 1,599,859.

"Numerous tests were made of the statistical data used in the construction of the table, and the methods used in connection therewith found to be in accord with sound conservative practice. From the original data, aggregate, select and ultimate tables were constructed. It was found, however, that the experience of the Society, in common with a number of others, showed a slightly higher death rate during the select period than was shown by the ultimate experience. This fact, in connection with the absence of sufficient data at the higher ages, necessitated some modifications in order that the resulting table might be a proper one from which to derive safe rates of contribution.

"In the construction of the final table, the aggregate data was used for ages 16 and 23 inclusive. For ages 40 and above, the ultimate experience was supplemented by the American Experience Table and between ages 23 and 40, an arbitrary addition was made to the ultimate experience, and the ratio so determined was then graded, resulting in what is now known as the Supreme Forest Woodmen Circle Table. In the grading of the final table, 'Hardy's Summation Formulas' being used.

"Comparisons have been made, and it is found that the table adopted by the Society meets the requirements of the Mobile and New York Conference Bills in that at for ages 21 and above, it is a higher table than the minimum table required under the standard set forth in the above mentioned laws.

Mortality Experience.

"The mortality experience of the Society has not been separated by years, but for the twenty-six years ending Dec. 31, 1918, the actual deaths occurring were 101½% of the expected deaths. The death losses, however, included all deaths resulting from the influenza epidemic. During the year 1918, the actual to expected deaths including influenza losses was 131% of the table. During the year 1919, under the same conditions, the actual to expected was 96%.

Membership and Certificate Forms.

"On December 31, 1919, the Society was composed of 226,586 members of which approximately 10% were males and 90% females.

"Prior to the change of By-Laws in July, 1919, certificates were issued in the sum not to exceed $2,000, the limiting ages being sixteen and fifty-two. All certificates issued were, what might be termed, A Whole Wife Form, said certificates being accumulative during the early years of membership. The benefits being the amount due under the certificate at death and the erection of a monument to the value of $100, with a provision that if the member at the time of death was beneficiary member of the Woodmen of the World, the value of the monument, namely, $100 would be paid as funeral benefit.

"The laws enacted during the month of July, 1919, provide several forms with amounts ranging from $500 to $5,000.

Rates of Contribution.

"Rates of contribution on forms hereinbefore mentioned are based on the Woodmen Circle Mortality Table with an interest assumption of 4% computed on a one-year preliminary term basis.

"Test checks have been made of the net rates, and found to be in accord with the mortality interest assumption used.

Expense Provision.

"The provision for expenses is very low, consisting of a loading of 15 cents per month per member, and the portion of the first year's premium on a one-year preliminary term basis.

Plan of Readjustment.

"At the meeting of the Supreme Forest held in Chicago during the month of July, 1919, action was taken to place the finances of the Society on a basis whereby it would be in a position to meet its future liabilities as evidenced by valuation. The plan was adopted in the 1919 edition of the Constitution and Laws. A general summary of the plan adopted is as follows:

"Members who entered the Society prior to August 5, 1919, and carry the form of certificate issued prior to that date, shall be required to pay the rate of assessment based on age nearest birthday as of January 1, 1920, less such reduction as might be available by reason of the accumulated funds on hand.

"In lieu of the foregoing, members could elect to pay a rate based on their attained age January 1, 1920, less any credit available as an apportionment for any plan to which they were eligible.

"It was further provided that any member admitted prior to August 5, 1919, may elect to continue to pay the same monthly assessment as required under Section 41A, of the Constitution and Laws of 1917. By so doing, they would relinquish their right to old-age permanent disability benefit and monument or funeral benefit, and would have charged against their certificates any deficiency that might exist in the rate of contribution.

Apportionment of Funds.

"The available funds of the Society December 31, 1919, were apportioned to members who had attained the age of thirty-two as of December 31, 1919, as of attained ages as determined by valuation, ranging from $2.42 at age thirty-two to $506.60 at age seventy-six, the amount so apportioned being used in the reduction of rates of those who elected an option.

Liens.

"The liens established were determined as a result of a deficiency shown by valuation, but the liens thus determined being the present value of the difference between the rates set forth in Section 41 of the 1917 laws and the rates that the member would be required to pay at the attained age less the apportioned credit.

"The amount of the liens range from $80 at age of sixteen to a flat lien of $215 for age fifty-six and above.

"Various test checks were made of the calculations having to do with the apportionment of funds and distribution of liens, and the same were found to be in accordance with the plan of readjustment as adopted.

Effect of Readjustment.

"To June 30, 1920, applications as received for the various options numbers 81,396. It is impossible at this time to set forth in detail the number of applications received for the various forms of certificates. It is estimated, however, that approximately 80% called for Option E, providing death monument and old age benefits.

"The net loss in membership occasioned by the readjustment of June 30, 4920, is estimated to be approximately 45,000. This loss of membership, while regretable, is occasioned principally by reason of the fact that the members did not fully understand the necessity for the change and the advisability of placing the affairs of the Society on a basis where it can meet its future obligations.

"Your examiners are of the opinion that the changes made were not only proper but absolutely necessary to safeguard the affairs of the Society on a safe permanent basis. The Supreme Forest is to be commended for the action taken in this matter, and the membership as a whole should realize that it was only taken as a means to provide them with safe protection.

Valuation.

"In view of the fact of the plan of readjustment taking effect as of January 1, 1920, it was of course, impossible to determine just what plans would be selected by the membership; therefore, in order to more fully portray the effect of the readjustment, two valuations were made. First on the assumption that the members would continue to pay the same rate of assessment and have a lien charged covering the prospective deficiency; second, on the assumption the members would retain their present certificates and pay the increased rates as required.

"The valuation data was verified in the following manner:

"Amount of insurance in force was reconciled with the annual statement of the Society and a test check made of the cards showing the amount of insurance in force.

"Schedules of amounts of insurance in

force by ages, and net rates of contribution used in each case were compared and a number of test checks were made verifying the accuracy thereof."

The result of the two methods of valuation showed the ratio of assets to liabilities to be:

	Ratio.
Old rate with lien	106.75%
Increased rate without lien	101.63%

"It will be noted that the percentage of solvency as shown under the method where the liens are used is higher. This is occasioned by the fact that at the time the liens were computed, it was not known just what the status would be as regards deficiency as of December 31, 1919; therefore, the actuary for the Society in determining the liens included a factor of safety, which, in the opinion of your examiners, was fully justified, inasmuch as ample provision is made in the By-Laws for a subsequent reduction when the actual numbers of members who select this option is finally determined.

Juvenile Department.

"Under the Constitution and Laws of the Society adopted during the year 1919, the Society has authority to inaugurate a Juvenile Department, but no action has been taken relative thereto.

"In conclusion your examiners would refer to the internal dissention mentioned in the report of the previous examination which resulted in expensive litigation and which has not been terminated, and the work of the Society is being carried on in complete harmony, and with greater efficiency."

WOODMEN OF THE WORLD, OMAHA, NEBRASKA.

Report of Examination Reviewed.

This society has been examined (Convention Examination), by the Insurance Departments of Nebraska, Arkansas, Iowa, Kansas, Mississippi, Missouri and So. Carolina. The report dated June 23, 1920, which was recently made public, in describing the scope of the examination, states:

"The last examination was made as of June 30, 1916, and transactions since that date up to and including the Annual Statement of December 31, 1919, have been investigated during this present examination."

The financial statement of the company of the society as of December 31, 1919, as ascertained by the examiners, differs very slightly from that published in "Best's Life Insurance Reports," Fifteenth Annual Edition, 1920, page 863, as indicated below:

	Examiners' Report.	Best's Report.
Admitted assets	$37,789,836	$37,788,871
Liabilities	$3,289,190	$3,226,789
Income	$18,245,920	$18,245,920
Disbursements	$19,838,456	$19,838,456

The report of the examination covers in a very comprehensive way the transactions of the society, particularly as to its mortality experience, valuation and valuation exhibit, December 31, 1919.

We print below some of the examiners' comments contained in this report:

Bonds.

"The Society follows the conservative plan of confining its investment of its funds to high grade Municipal and County Bonds. It was shown in the report of the previous examination in the percentage of net earnings on investments for the previous 6 years. By continuing the calculation of the net earnings on the same basis as formerly for the past four years, it will be seen from the following schedule that the earnings show a percentage of increase over previous years:

Year.	Mean admitted assets.	Net earnings for the year.	Percentage of earnings.
1910	$11,937,783	$ 477,768	4.00%
1911	14,262,786	571,569	4.01%
1912	16,820,460	665,067	3.95%
1913	19,462,988	863,154	4.43%
1914	22,440,511	996,543	4.44%
1915	25,880,567	1,172,631	4.53%
1916	29,492,892	1,359,187	4.60%
1917	33,263,046	1,545,810	4.61%
1918	37,283,002	1,751,847	4.70%
1919	38,559,090	1,789,057	4.64%

Field Force.

"The expense of this department far exceeds all other departments combined. Business is secured through State managers, district managers and deputies, all of whom are under written contract. At this point it might be pertinent to state that these contracts are nothing more than a memorandum, and they may be terminated upon five days' notice from either of the contracting parties.

"The commission contracts with deputies in force during the period covered by this examination provided for the payment of the entire commission upon the acceptance of the members. This form of contract has now been discontinued and the following clause has been inserted in new contracts made during the year 1920:

"In consideration of the payment of the commissions stipulated herein, it is mutually agreed that the said certificates written under this contract are to be maintained in force for a minimum of twelve (12) months, and if not so maintained, said party of the second part shall be liable for and chargeable with the proportionate part of the commission which has not been earned under this provision notwithstanding the advances made to him as herein provided.

"It is further understood and agreed that such charge and liability as heretofore mentioned become a definite obligation for which the said party of the second part is liable to the said party of the first part.

"Provided, that should any certificate be reinstated upon which a charge of commission has been made under this third provision, and should the said certificate be thereafter kept in force until the expiration of the minimum period of twelve (12) months as heretofore designated, then the amount charged against the account of the party of the second part shall be allowed the party of the second part, together with such additional commission as shall have been earned on the certificate so reinstated, under the terms of this contract."

"The Society is to be commended for its action in making this change.

"The procuring of new business and the direction of the field force of the Society are under the direction of the Sovereign Commander. The Society does not separate income from first year's business and there was no way of determining the cost of new business as against the income. The schedule below shows the expenses of the field force for the years 1917-18-19. This, however, does not include any Home Office expenses.

1917.

Commission	$465,769.60
Salary	89,732.91
Expense	71,323.61
	$626,826.12

Aplications filed 1917—122,400.
Average Cost—$5.12.

1918.

Commission	$426,435.16
Salary	74,286.84
Expense	63,075.39
	$563,797.39

Applications filed 1918—101,311.
Average Cost—$5.62.

1919.

Commission	$604,280.61
Salary	65,576.39
Expense	64,196.27
	$734,053.27

Applications filed 1919—152,291.
Average Cost—$4.82.

"The above table shows the average cost per application for the last three years.

Death Claims.

"Your examiners conducted a very exhaustive examination into the manner of settlement of death claims — some 3,000 or 4,000 settlements of claims being examined — and we find that the method of settling claims was varied. We found that in many cases the settlements in the light of the evidence which the Society has in its possession was very liberal. We found many cases where the Society could have denied liability, but compromise settlements were made. We found that in some cases of suicide, murder and false warranties in the application the Society could have stood upon its legal rights, but equitable adjustments in view of the facts were made in these cases. We found cases where the settlements are open to criticism, but in view of the fact that in these cases claimants were represented by counsel, the Society followed the usual methods employed in the settlement of such cases and was husbanding the money of the Society.

"There were numerous cases of compromise and rejected claims on account of suspension, but many of these were afterwards adjusted. Instances were found that an error was made in the age stated in the application and if the claim was a legal one in all respects the Society had a computation made of the exact amount due the beneficiary in proportion to his contributions at the age given would pur-

(Continued on next page)

WOODMEN OF THE WORLD—(Con'd)

chase at his correct age and then would offer a compromise settlement of less than the actual amount computed. This practice, we find, has been discontinued on account of the change in the By-Laws of the Society.

"An illustration of the compromise and discounted claims is shown in schedule attached, marked Exhibit C.

W. O. W. Experience Table of Mortality.

"The so-called Mobile and New York Conference bills provide that the legal minimum standard of valuation of certificates, except for disability benefits, shall be the National Fraternal Congress Table of Mortality or at the option of the Society a table based upon its own experience of at least twenty years and covering not less than one hundred thousand lives, with interest at not more than four per cent.

"The Woodmen of the World, being able to comply with this provision, caused to be constructed a table of mortality based upon its experience to the date, December 31, 1912. The data was collected under the direction of a consulting actuary and the table constructed by him.

"The data used for the construction of the table was checked against the group records of the Society and the construction of the table was examined in detail.

"While the table does not agree entirely with the results obtained by your examiners, it is on the whole as safe as one reflecting the mortality at each age more closely. In the aggregate the expected mortality very closely approximates the actual.

Rates of Contribution.

"A complete discussion of the various rates used by the Society during its existence would require a more lengthy report than is possible to give; it will therefore suffice to say that the rates of the past were totally inadequate to mature the benefits promised.

"The rates used under the Universal Camp and Security Degree forms are adequate in accordance with the Table of Mortality and interest assumption upon which they are predicated, and all business written on these forms has been upon a proper scientific basis.

"The rates for all adult forms now used by the Society have been carefully checked and found to be adequate in accordance with the mortality and interest assumption used.

"Various calculations of rates for Infantile Certificates on the basis of the Standard Industrial Table of Mortality and 3½% interest were made, and it was found that in all cases the rates charged by the Society were adequate.

"A test was likewise made of paid-up insurance and surrender values granted by the Society, said values being found to be correct.

Certificate Forms.

"The Society issues a number of different forms of certificates, the form used most extensively prior to January 1, 1920, being what was known as the "Combined Benefit Certificate," which constituted a Whole Life Contract with certain Monument and Old Age Disability features, the latter features being modified and such modification effective after January 1, 1920, in accordance with the "Plan of Readjustment."

"The form of certificate now used is known as the Universal Whole Life Certificate with benefits as follows:

(a) Death Benefit (whole life basis).

(b) Temporary Disability Benefit after 5 years of continuous membership of a sum not exceeding the member's actual interest in the reserve fund held by the Society in cancellation of the certificate.

(c) Permanent Total Disability Benefit under age 60 of a sum not to exceed one-half the amount of the face value of the certificate in cancellation thereof.

(d) Old Age Disability Benefit at age of 70 the full amount of reserve accumulation and the surrender of certificate for cancellation.

"In the foregoing it will be noted that between the ages of 60 and 70 years the Temporary Disability Benefit only would apply. An extra rate on premiums is not required of the member for these special benefits and no addition is made to the Whole Life rate on account thereof, as the benefits are negative in character.

"After January 1, 1920, the inclusion of a Monument Benefit is optional with the applicant; if this benefit is desired an equivalent rate is required therefor.

"Limiting ages of admission, 16 to 52; amount, $500 to $5,000.

"(c) Security Degree Certificates — These certificates are issued under and designated as Universal Camp Certificates and comprise the adult industrial business. Two forms are used, differing only by reason of the fact that in one the amount of insurance is graded to the rate and in the other the rate graded according to the amount of insurance. These are participating Whole Life forms, granting paid-up insurance after 5 years of membership and cash values after 10 years. Reserves and values thereunder are based on the American Experience Table, 4%.

"Juvenile Certificates — Whole Life, 20-Payment Life and 20-Year Endowment forms are issued providing for participation in Surplus, Paid-up and Cash Surrender Values, all based on the Standard Industrial Table of Mortality with a 3½% interest assumption.

"The Constitution and Laws of the Society provide generally that all members make such payments as may be required of them.

"An examination of certificate forms would indicate that in all Juvenile certificates the payment of benefits is predicated upon the payment of a fixed rate.

"The Combined Benefit and Universal Whole Life forms on the first page thereof have the following clause: "In further consideration of the payment to the Society of the sum of $..... for the remainder of the month in which this certificate is dated by the Sovereign Clerk and the payment to it of $..... on or before the last day of each month thereafter."

"The foregoing appears to be modified by clause 9 of said certificates, reading as follows: "Rate of assessment: In order to create and maintain a fund from which to pay death losses, disability and monument benefits and expenses of operation, the within named member agrees to pay the rate named in this certificate and any change thereof made by the Sovereign Camp."

"Section 61, paragraph F of the Constitution and Laws of the Society provides as follows:

"'General Laws of this Society in reference to special assessments shall not be applicable to holders of Juvenile or Universal Certificates unless expressly named therein.'

"The participating feature referred to in the foregoing as appearing in the Certificate issued in the Juvenile Department is as follows:

"Distribution of Surplus — Beginning not later than the end of the fifth year from its date, if all the premiums then due shall have been paid, the Society will annually ascertain the proportion of the surplus to which this certificate and certificates of the same age and class are entitled, and if this certificate be in force at the end of ten years from date, and at the end of each ten-year period thereafter during its continuance, it will be credited with a dividend from the surplus so apportioned. At the option of the insured, apportioned dividends may be either (1) paid in cash; or (2) applied to the purchase of paid-up additions to this certificate; or (3) applied to the payment of any premium or premiums."

Plan of Readjustment.

"In common with practically all similar institutions this Society commenced business with rates or premiums totally insufficient to provide the necessary revenue to meet current and prospective claims.

"During the history of the Society successive changes were adopted in its contribution Schedule, all, however, without regard to the amount necessary to meet its obligations.

"Through the necessities as evidenced by operation and the requirements of the laws of the various states, valuations had been made from year to year disclosing the financial condition of the Society as regards its ability to fulfill the promises outstanding. These valuations showed that the Society on the rate of contribution then collected was not in a position to guarantee the payment of more than 55 to 60% of its future liability.

"To correct this condition and to place the contracts of the Society in harmony with proper insurance principles a plan of readjustment was outlined and adopted by the Society at its Sovereign Camp meeting held in Chicago during July, 1919.

"A general summary of the plan as applied to individual members is as follows:

"All members admitted prior to January 1, 1920, holding Combined Benefit Certificates (about 800,000) shall be required to pay a rate of assessment based on their nearest attained age January 1, 1920, in accordance with tables of rates set forth on pages 32, 33 and 34 of the 1919 edition of the Constitution and Laws of the Society; provided, however, that said rates would be reduced in accordance with the plan of apportionment of existing funds as adopted.

"In lieu of the foregoing each member may elect to continue the payment of a rate as required by Sections 56 and 110 of the laws of the Society as adopted in the year 1917 and set forth on page 39 of the 1919 edition of the Society's laws, the table being applied at entry ages and any existing deficiencies made up by the apportionment of funds on hand and the application of an interest-bearing lien. Members who elected this plan relinquished the Old Age and Monument Benefits. The valuation appearing elsewhere in this report was made on the assumption that members would avail themselves of the above plan.

Liens.

"The liens established were determined by the aggregate deficiency as shown by valuation and applied to the amount of insurance in force at attained ages in accordance with the method adopted.

Apportionment of Funds.

"The available funds of the Society as of December 31, 1919, were assigned and apportioned to all members who had attained the age of 38 or older as of December 31, 1919, by attained age groups as determined by valuation. In addition to the plans hereinbefore mentioned a number of options were offered giving the membership certain privileges; all, however, being mathematical equivalents. Tests were made of the various rate apportionments and plans and all were found to be in accordance with the plan of readjustment as adopted.

"In view of the wide publicity given to the plans and the fact of the membership being fully apprised of conditions and action taken through the columns of the official paper of the Society and other sources, a further explanation of details of the plan would seem unnecessary in this report.

Effect of Readjustment.

"To May 31st applications were received for the various options numbering 330,369. In view of the amount of detail in connection with the issuing of certificates, etc., the Society has not as yet been able to accurately classify these applications. It is estimated, however, that of the total received approximately 75% call for Option No. 4, which provides for Death and Modified Disability Benefit only. The suspensions recorded to May 31, 1920, total 175,000, which is estimated to be 110,000 above normal. This decrease in membership arises principally by reason of the misunderstanding on the part of many members as to the absolute necessity for the increase in rate if the Society was to continue to exist and meet its obligation to its members.

"Your examiners are of the opinion that the changes as made were necessary and required to place the affairs of the Society on a permanent and safe basis.

"The Sovereign Camp is to be congratulated upon its foresight in adopting this plan of readjustment which will eventually redound to the benefit of the organization.

Expense and Assessment Apportionment.

"The provision for expense effective for 1920 as adopted by the Society is contained in the following resolution of the Sovereign Executive Council:

1. "That from the assessments collected there is hereby set aside ten per cent. (10%) thereof and placed into a fund known as the General Fund, from which the general expenses of the Society shall be paid.

2. "That the Sovereign Clerk is hereby instructed and directed to place or cause to be placed from the assessments received from members who have liens against their Certificates other than from failure to pay the full 1915 rate of assessment into the Emergency Fund, a sum which, added to such liens charged against all such Certificates and interest accretions thereon, will be sufficient to mature such Certificates in accordance with Sovereign Camp of the Woodmen of the World Mortality Experience Table, and an interest assumption of 4% per annum.

3. "That the Sovereign Clerk shall in like manner from assessments collected from all other members of the Society place into the Emergency Fund a sum sufficient to provide for the maturity of said Certificates, in accordance with the Mortality Table upon which such Certificates are issued, with an interest assumption of 4% per annum. That the segregations above named shall be made by actuarial methods and may be made at any time, but they shall be made also as of December 31st, each year.

4. "That any sum remaining after making the segregations aforesaid shall be credited to the General Fund and any unexpended balance or part thereof to the credit of the General Fund may be, at the direction of the Sovereign Commander, credited to a fund to be known as a surplus fund; which fund shall be held to provide for any deficiency occasioned by excess mortality losses, if any, or for the reduction of assessments or for any other contingencies."

Valuation.

"The valuation made December 31, 1919, of the Combined Benefit Certificate as modified by the provisions of Section 60 C of the Constitution and Laws of the Society was verified as follows:

(a) The amount of insurance in force as used in the valuation was reconciled with the Annual Statement of the Society and a complete check of the Auditors' cards of insurance in force in the State of Kansas was made. The business in said State being fairly representative of all States.

(b) Schedules of amounts of insurance in force by ages and net rates of contributions used in the valuation were carefully compared and numerous test checks made to verify the accuracy thereof.

(c) The valuation factors used being Whole Life Single Premiums and Annuities, deducted from what is known as the Woodmen of the World Mortality Table 4%, advanced one-half year in each case.

"Valuation Exhibit Dec. 31, 1919."

Present value of future net contributions	$222,463,511.81
Premium adjustment liens	2,625,160.94
Liens under readjusted plan	128,747,705.75
Admitted assets (Benefit)	37,668,544.58
Total assets	$391,504,923.08
Present value of promised benefits	$384,598,876.71
Net reserve Universal Camp	50,346.80
Net reserve Security Degree	13,886.78
Net reserve Juvenile	22,106.86
Accrued liabilities (Benefit)	3,006,744.48
Total liabilities	$387,691,961.63
Ratio of assets to liabilities.	100.98%

"In the foregoing exhibit, it will be noted, is an item of $2,625,160.94, premium adjustment lien; these liens originated and resulted from the action of the Sovereign Camp at a meeting held July, 1915, at which time the rate of assessment was changed from a group rate to a designated rate for each age. Under the action as taken a member could pay the increase occasioned by the change or allow it to accumulate as a lien, therefore this item represents a proper asset as against a reserve liability.

"The item of assets designated as "Liens under Readjusted Plan" amounting to $128,747,705.75 is in connection with the Combined Certificate forms as modified by the plan of readjustment referred to elsewhere herein. Attention is called to the fact that upon the assumptions used in the valuation of the foregoing certificates; said liens for ages 18 to 35 inclusive are in excess of the reserve requirement to the extent of $3,074,652; for all other ages the reserves are in excess of liens.

"For the purpose of determining what portion of excess liens would be utilized in the current year (1920) the valuation was projected one year and it was found that the major portion of such excess would be available for reserve, so that the full item has been entered in the exhibit to more clearly portray the readjustment plans.

"Valuation ratios for previous years:

Year.	Percentage.
1912	53.75%
1913	54.16%
1914	53.92%
1915	57.96%
1916	58.02%
1917	57.83%
1913	60.73% "

Conclusion.

"In conclusion we would state that it is the opinion of your examiners that the affairs of the Society generally are in a satisfactory and flourishing condition. Its financial position, as a result of the readjustment of rates, places the Society among those who furnish protection to its members in accordance with recognized standards and establishes its place as one of the leading Fraternal Beneficial Societies of the World."

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